

# INTEGRATED LEARNING AND PERFORMANCE

ESSENTIAL TO A TALENT MANAGEMENT STRATEGY

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*Integrated Learning and Performance*

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## EXECUTIVE SUMMARY

In today's "Age of Talent", Enterprise Learning and Talent Management have become key factors in organizations' strategic competitiveness. The tight labor market, coupled with an increased focus on driving performance through a more engaged and skilled workforce, will be a catalyst for further alignment between training, performance management and overall Talent Management.

Until very recently, organizations have responded to tighter labor markets through a greater emphasis on recruiting. Undoubtedly, the so called "War for Talent", to date, has been fought with limited tactics, technology and strategies, but that is changing rapidly. Today, more organizations are starting to focus on engagement, retention and driving better performance from their existing workforce while still maintaining a vigil for talent from the outside.

Organizations that invest in their employees' training and development are often rewarded exponentially more than those that focus the majority of their efforts on recruitment. It has been estimated that after the cost of hire plus the cost of dismissing and replacing bad hires and the typical time to performance lag in most knowledge-economy occupations, training is up to fifty times less expensive than hiring. Moreover, the payoff of investing in existing talent - in productivity, performance, engagement and retention - is clearly significant (even if difficult to measure). In survey after survey, employees tell us that training and development, well-articulated career paths and having an employer "that cares about their development" are among the most important drivers for attraction, retention and engagement.

Indeed, Bersin & Associates research has shown a dramatic increase in training budgets in recent years. According to their research, corporate training budgets in the United States increased by about 7% in 2006 - the largest increase in five years.

Integrated Learning & Performance Management promises to help organizations make better decisions about learning and development investments by basing spending decisions on the evidence of what works and what is needed. In the last 2-3 years, the focus towards Talent Management has placed attention on a much more holistic approach to HR than the silos that are typical today. As organizations move into the era of talent management, integrating functional areas is critical – the integration of Performance and Learning Management is among the first in which organizations have been successful and seen positive results.

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## Defining Integrated Learning and Performance

Conceptually, the idea of integrating learning and employee performance management is quite straightforward. By tying learning and development intrinsically to the outcomes of performance assessment, the cycle can be completed. That is to say that performance assessment in isolation is not necessarily enough and alone it does not guarantee performance improvement. By integrating these core processes, organizations can see the impacts that learning programs have on employee performance.

To be even more explicit, learning and performance are truly integrated when a manager can seamlessly assign remedial training as one outcome of a performance review. Or when an employee sees a list of actionable training activities (not merely suggested reading, although that is one possibility) as one of the final outputs of a competency assessment.

It may seem logical that performance management and the outputs of performance measurement should determine the types of programs a company needs to develop the right skills and competencies required to execute its strategy and achieve its objectives. Yet, integrated learning and performance management is still the exception rather than the rule. In an IDC survey conducted by *Chief Learning Officer Magazine* in 2007, **only 7%** of survey respondents indicated that both performance and learning are fully linked, formalized, and automated. While some cross-functional linkage may exist in these organizations, real integration is still far from being the norm.

This condition, of course, presents an opportunity for organizations to create linkages and realize the benefits of integrating programs that typically already exist (although often in silos).

## Why Integrated Learning And Performance?

The ability to innately link learning and performance management leads to new outcomes that cut several ways.

First and foremost, the ability to target training and development programs in alignment with both (1) specific employee needs and (2) organizational business imperatives means better-performing talent and companies. This is the last frontier, after all – using coordinated talent management programs to make organizations “better” (whether that means higher revenues, more units shipped, more members served, or whatever tangible bottom-line metric is mission critical).

Performance measurement without strategically and tactically linking learning interventions only goes part of the way to this outcome. Similarly, learning management and training administration programs devised without inherent links to employee performance and goal management leaves an organization wanting.

On the flip side, the integration of learning management with performance measurement and management, promises to help organizations understand which training and development initiatives boost performance and productivity and which do not. Karen S. Brethower, in *Maintenance Systems: The Neglected Half of Behaviour Change*, argues that: *“Failure looms for programmed instruction projects in which there is an inadequate consideration of maintenance systems. What happens to the trainee after training via programmed instruction is at least as important to job performance as the training itself.”*



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This, indeed, speaks to the age-old gap in effective long-term measurement of training effectiveness. Integration of learning and performance assessment provides the means to close this gap.

Simply put, integrated learning and performance management, done well, leads to higher-performing employees, higher-performing companies, better goal alignment, and better training decisions – in all cases through decisions based on evidence and driven by clear need.

## How is Integrated Learning And Performance accomplished?

We tend to think about integration largely as a problem for technology to solve. Though integrated talent management platforms are essential enablers of integration, technology cannot drive the process. It is important to think about integration from three perspectives:

1. Institutional
2. Process-based
3. Technology

### **Institutional Integration: Culture Matters**

Management may be the most important obstacle to overcome in the beginning. In an informal poll conducted by the Human Capital Institute during a May 20, 2008 webcast on Integrated Performance and Learning Management (on which this paper is based) more than 75% of respondents told us that learning and performance are two separate and mostly discreet functions in their organizations led by different executives who rarely interact. In the IDC report referred to above and in recent research conducted by Bersin & Associates, similar differences in focus were found (see Figure 1 below).

Integration is as much a mindset as it is a platform. Corporate culture will impact the success of an effort at integration, so it must be considered also. At the Human Capital Institute (HCI), considerable recent research has been directed at learning how organizations are transitioning from traditional (and often siloed) HR practices to a more holistic and strategic way of addressing total talent initiatives. Among the most consistent indicators of success in this transition (or as HCI puts it: “Talent Maturity”) is a management structure that includes a ‘C’ level executive responsible for talent.

Though still present in only a small minority of organizations, the Chief Talent Officer, Chief Human Capital Officer, CHRO or the like is able to see and direct talent management in the organization at a level above the VP OD or VP HR and is thus able to provide oversight for integration efforts (among other things). HCI’s research shows that organizations that have bifurcated HR from Talent Management and appointed a ‘C’ level talent executive have been the most successful at breaking down the silos of old HR.

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Figure One: Bersin & Associates Training and HR Silos

	Training	HR
Key Goals	Improve Business Performance by Improving Skills and Competencies and Identifying Human Performance Problems	Develop high levels of retention, employee satisfaction, and service to employees.
Operational Issues	Developing Programs, Running Programs, Measuring and Improving Programs	Developing Hiring Processes, Payroll, Talent Management, Succession Planning, and Retention Programs
Technology Issues	Implementing Learning Management and E-Learning	Implementing HRMS Systems, Employee Portals, and Performance Management Systems
Organization	Decentralized and distributed between "corporate" and lines of business. Distributed units have a lot of autonomy.	Strategy and policy are set centrally with some distributed operations.

"The Convergence of Learning and Performance Management". Josh Bersin, February 2006

## Process Integration: Workflows Matter

Once management is set up to support an integration strategy, processes must also be aligned. According to Ed Newman, CEO of The Newman Group, the performance management process in most organizations is weak to begin with and often amounts to no more than an annual review. The review process is perfunctory and often despised by employee and manager alike. For employees and managers to see value, the performance appraisal process should be linked to other elements of the employee lifecycle, including training and development:

"... it is the HR Business Partner role, the HR delivery mechanism, performance appraisals being really the foundational element here. We've got to conduct performance appraisals on some periodic basis, usually annually but ideally more frequently than that. And then taking it up a level in addition to just evaluating performance and being able to document what someone has done in the past identify what kind of development plan we need for an individual based on that performance appraisal. And then taking it up to an even higher level and looking at goal setting, what are the organizational goals and how do we develop our goals and objectives for individuals that are in alignment with those goals so that when we put in place developmental

When employees can see how their own goals impact their manager's, his or her boss and so on up the organization, they are better able to put their contributions into perspective. And when they can see how a proper performance review process identifies gaps in the organization's ability to achieve its goals; and more directly in one's own ability to help the organization achieve its goals, the effort becomes more meaningful for both employee and manager, who, in turn, become more engaged in making it work.

Learning and Performance management integration is a two-way street. The process should work as above, with individual learning and development plans flowing from the performance appraisal process. Further, however, the achievement of learning objectives should be recorded for future performance reviews and tied to promotions and



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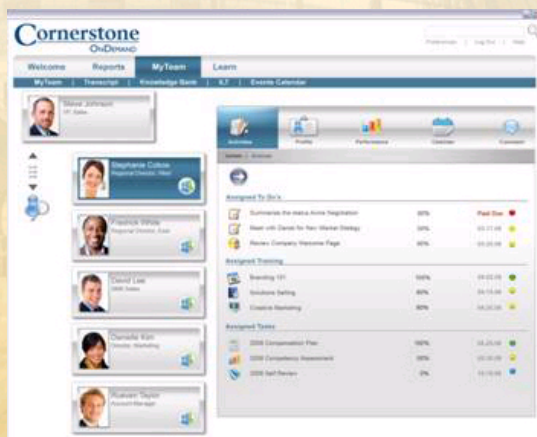
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total compensation management. As in the previous section, the performance appraisal and measurement system should also act as a check to determine whether learning investments are having the performance and productivity impacts expected.

## **Technological Integration: Nuts & Bolts**

When management and process are aligned with talent management integration, technology is the final enabler. This explains in part why integration is a relatively new concept. In the past, many HR and OD professionals might have contemplated the benefits of integrating learning and performance management but the administration necessary (without internet connectivity, web-based solutions and powerful *and* accessible analytics software) would have overwhelmed all but the largest organizations and perhaps made it impractical even for them.

Example of an integrated view of learning and performance activities for managers:



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Today, sophisticated talent management software is readily available in which learning and performance modules are already integrated. Thus, the technical and financial barriers have been removed for most organizations, making the technology component of integration the least imposing of the challenges.

## **The risks of failing to integrate**

With a tighter economy, there is an even greater emphasis on performance and more focus on learning in organizations. The 'C-suite' is more involved and concerned with the organization's ability to hire, develop, measure and retain "top talent" than ever before.

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"The Business is beginning to demand 'real time' human capital data, including true ROI for learning investments. HR and TM executives are going to lay facts on the table- like finance, operations and sales executives have for decades." Allan Schweyer, Executive Director HCI.

The evidence is piling up. The Economist Intelligence Unit's (EIU) 2007 global survey put "human capital risk" at the very top of business leaders' concerns. The Harvard Business Review in March 2008 reported, in an article entitled "*When Growth Stalls*," that talent bench shortfall is a top four root cause for revenue stalls, more impetus for better, more scientific and data-driven talent management is quickly building. In this case, about 50% of the root causes were all deemed to be within management control and one of the top causes was identified as an inability to match the skills and competencies of the workforce with what the organization needs. So this is clearly an area which is having significant business impact. However, it has been seen that the stall points are usually sudden and often occur after record growth.

Even exemplary and celebrated companies like Levis Strauss, 3M, Hitachi and BF Goodrich are not immune. Indeed, the 2007 EIU report also reported that aside from the risks associated with terrorism and climate change, human capital risk was the challenge they felt their organizations were currently least equipped to overcome.

Thus, the benefits of talent management integration - performance and learning in particular - are likely to offset some of the risks referred to by the HBR authors and the EIU research. The better data gleaned from integration allows for evidence-based decision making, the lack of such data means the continuance of decision-making by feeling or "gut" which has led to the lack of confidence leaders have in HR and workforce management as per the EIU report, and, at least in part, the relatively sudden demise of previously successful organizations per the HBR report.

## Aligning Learning & Performance With the Business Strategy

When Talent is part of the business strategy, we can ask and start to answer critical questions, including but not limited to the following:



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- ✓ How does our business strategy influence our current and future decisions about talent?
- ✓ What skills and competency mix do we need to drive our performance?
- ✓ How do we transform our learning and what changes need to occur with respect to our HR delivery systems, policies and procedures to drive the kind of integration that will optimize learning investments?
- ✓ How do we engage and develop our workforce in alignment with our business strategy?
- ✓ Do we have an effective and integrated TM technology platform that allows us to quantify the impacts of learning (and talent management in general) to our business strategy?

The most ambitious level of Enterprise Integration can yield astounding benefits. This is achieved when performance plans and goals are cascaded and can be viewed by the training organization to understand training needs; where employees and managers can build development plans in the same system and at the same time conduct performance appraisals; where the results from learning programs (completion data, scores, certifications) can be automatically stored in the employee performance management records; and where executives can view goal and learning alignment in reports with outcomes and metrics tied to business goals.

The benefits to the organization are that this approach aligns performance and learning to key business drivers (e.g. impact, effectiveness and efficiency); integrates people data with key organizational systems; provides insight into critical roles; enables human capital practitioners to make better, faster, evidenced based decisions; and achieves sustained competitive success through the most important resource – talent.

The benefits of this approach are that HR & Learning Plans become integral components of the business plan, thereby “operationalizing” what is too often just theory. The plan no longer “sits on the shelf” because it focuses learning & HR activity on Organizational Performance. There is enhanced visibility into the progress of achieving organizational goals as well as defined and planned learning expenditures specific to achieving performance targets and defined career/talent development requirements.

Moreover, according to Newman, “...by aligning and integrating performance and learning management, the organization will see improvements in leadership identification and development and should gain speed and effectiveness in deploying talent in general.”

A great deal remains to be discovered about the best means and advantages of performance and learning management integration. As with most other initiatives in strategic talent management, the impetus and reasons for doing so are clear, it is the will that may be lacking in many organizations, especially those impeded by incompatible culture, process and management frameworks.